



**NATIONAL ACADEMY OF PERFORMING ARTS
POLICIES AND PROCEDURES**

Issuing Department: Finance	Topic: Capitalization Policy		Policy # FA 06-2019 (Revision 1)
New – No (Approved by BOD in their 72nd meeting held on November 28, 2020	Revision No 1	Supersedes Policy # N/A	Effective: Retrospective

1. Purpose

This accounting policy establishes the minimum cost that shall be used to determine the capital assets that are to be recorded in National Academy of Performing Arts books of Accounts & financial statements.

2. Capital Asset definition

A “Capital Asset” is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months; **and** (2) was acquired or produced for a cost of Rs 20,000 or more. Capital Assets must be capitalized and depreciated for financial statement (or bookkeeping) purposes.

3. Capitalization thresholds

National Academy of Performing Arts establishes Rs 20,000 (as a per policy decision taken by the Board in their 72nd meeting held on November 28, 2020) to increase the threshold amount for minimum capitalization from Rs 5,000 to Rs 20,000. Any items costing below this amount except library books & CDs etc. should be expensed out in the year of purchase and similarly recorded in the Books of Account and Financial Statements.

4. Capitalization method and procedure

All Capital Assets are recorded at historical cost as of the date acquired.

Tangible assets costing below the aforementioned threshold amount are recorded as an expense for National Academy of Performing Arts annual financial statements. Alternatively, assets with an economic useful life of 12 months or less are required to be expensed for financial statement purposes, regardless of the acquisition or production cost.

5. Recordkeeping

All Assets capitalized must be recorded in the Fixed Assets Registered with reference to the payment voucher and Invoice substantiating an acquisition cost of each unit of property. Payment Voucher together with Invoice and other documents shall be retained for a minimum of five years.

6. Tagging of Assets

All Capital Assets must be tagged and identified with a distinct tag number